SWOT analysis of the textile industry of Pakistan

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The textile and clothing sector is regarded as the engine of growth for many developing countries in Asia, since it accounts for around 45 percent of developed markets imports from the developing countries.

Pakistan's textile industry ranks amongst the top in the world. Pakistan is world's fourth largest producer of cotton, the third largest consumer of the same, sixth largest importer of raw cotton and first class exporter of cotton yarn.

This industrial sector in Pakistan has been playing a pivotal role in the national economy. Cotton based textiles contribute almost 60% to the total exports, accounts for 46% of the total manufacturing and provides employment to 39% manufacturing labor force. The availability of cheap labor and basic raw cotton as raw material for textile industry has played the principal role in the growth of the Cotton Textile Industry in Pakistan.

Importance of textile industry in Pakistan's Economy		
	2006-07	2007-08 (July-Feb)
Share in total exports	61.1%	53.8%
Share in manufacturing	46%	46%
Share in employment	38%	39%
Share in GDP	8.5%	8.5%
Textile exports	$ 6.6 billion	$ 6.3 billion
Investment in textile	$ 6.4 billion	$ 7.0 billion
Source: Textile Commissioner's Organization.		

Based on abundant supply of indigenous cotton, textile is the leading sector of industrial manufacturing and depends on agriculture for supply of raw material. Therefore, whatever happens to cotton crop is likely to affect the performance of textile sector.

Textile production is comprised of cotton ginning, cotton yarn, cotton fabric, fabric processing (grey dyed- printed), home textiles, towels, hosiery & knitwear and readymade garments. These components are being produced both in the large scale organized sector as well as in unorganized cottage/small and medium units.

An anti-dumping of 5.8% has been imposed on Pakistan by the European Union, which has put Pakistan in a desperate position to match competitors like Bangladesh, India, China, Sri-Lanky and Vietnam.

Current Scenario of the textile Industry

Pakistan has a very low share of the international textile market and due to the economic slow down in US and Europe, Pakistan's textiles exports are also declining as they are mostly dependent on these two markets. China tops the US market with a share of 36% followed by Bangladesh 21%, India 18%, Morocco 19% and Pakistan 13%. South Korea has lost 20% market share of the US market. In the European market, China tops again with a share of 29%, Vietnam 28%, India 19% and Pakistan only 1.5% while the Philippines had lost 11% of the market.

According to APTMA, textile exports have declined by about 20% in 2008. The industry is bracing for more trouble ahead with continuing crises of electricity and gas, international market access, global economic slowdown, and adverse travel advisories. APTMA, Pakistan's spinning industry association established for the promotion and protection of the textile industry, says that the high cost of finance because of the nation's tight monetary policy has added to their continuing woes.

SWOT

The SWOT analysis on the Pakistan's textile industry is given here for the interest of readers. In this way we would identify the weaknesses in the textile industry and find the alternative solutions and remedies so as to make the textile industry competitive and efficient against our biggest challengers, India and China and against the emerging markets such as Bangladesh and Vietnam

Strength

1. Raw material base

Pakistan has high self sufficiency in raw material and is the fourth largest producer of cotton. Abundant use of cotton resources has made the Textile industry of Pakistan move towards the area of industrialization.

Growth of cotton textile industry in Pakistan														
		Installed capacity (in 000)						Working capacity (in 000)						
Period	Units	Spindles	Growth %	Rotors	Growth %	Looms	Growth %	Spindles	Growth %	Rotors	Growth %	Looms	Growth %
1997-98	442	8,368	1.68	150	4.90	10	0	6,631	1.42	80	-8.05	4	-20.0
1998-99	442	8,392	0.29	166	10.67	10	0	6,671	0.60	66	-17.50	5	25.0
1999-00	443	8,477	1.01	150	-9.64	10	0	6,825	2.31	66	0	4	-20.0
2000-01	444	8,601	1.46	146	-2.67	10	0	6,913	1.29	70	6.06	4	0
2001-02	450	9,060	5.34	141	-3.42	10	0	7,440	7.62	66	-5.71	5	25.00
2002-03	453	9,260	2.21	148	4.96	10	0	7,676	3.17	70	6.06	5	0
2003-04	456	9,592	3.59	146	-1.35	10	0	8,009	4.34	66	-5.71	4	-20.00
2004-05	458	10,485	9.31	155	6.16	9	-10.00	8,492	6.03	79	19.70	4	0.00
2005-06	461	10,437	-0.46	155	0.00	9	-11.11	9,415	10.87	77	-2.53	4	0.00
2006-07	461	10,513	0.73	150	-3.23	8	0	7,989	-15.15	70	-9.09	3	-25.00
Source: Textile Commissioner's Organization.													

2. Labor

Cheap labor has always been the backbone of the economy of Pakistan. Cheap and ample supply of labor strengthens the industrial and agriculture sector of the country. Around 39% of the labor force works in the textile sector. As Karl Marx said, that we have to use the "army of labor" present in the country for productive means. Thus cheap and abundant labor means low cost of production.

3. Rich heritage

Due to cultural diversity and rich heritage, designers come up with new different and attractive designs which are appreciated worldwide. Our culture comprises of Sindhi, Punjabi, Balochi and Pushtoo values. Also we are also influenced by the Indian culture through the media exposure, which of course gives the Pakistani designers an inspiration and taste of Karnataka, Rajhastani styles, etc. This varied culture and fusion among these two neighbours gives inspiration to the designers to give their best in terms of styles, creativity and fashion.

4. Domestic market

he recent shift of the population from the agrarian society to the urban areas, increased income levels and growth of the population raised the domestic demand. This means more factories more manufacturing units, more supply and more labor.

Weaknesses

1. Research & Development (R&D)

Developed countries are using the technology of biotechnology and genetic engineering to increase the quality and quantity of their cotton production. They are able to grow colored cotton, organic cotton and several different varieties cotton to added value to the textile chain. In Pakistan, there is very some research done on small scale by private companies to invent modified cotton fibers. Practically no efforts are being made by the APTMA in the R&D of the textile industry to enhance the quality of its products, upgrade the technology used, and encourage effective methods of production in order to compete internationally. Instead the industry suffers lack of latest means of production and falling cotton crop output every year. Due to low quality of cotton crop, profitability decreases and the farmer switch to the other crop such as sugar cane, maize and thus the cotton production decreases.

2. More dependence on cotton

As the textile sector is heavily dependent on cotton production, low cultivation of cotton will deteriorate the textile industry. On the other hand, Pakistan lacks expertise in the development, production and marketing of synthetic products and fabrics required for items like swimwear, skiwear and industrial apparel. So far Pakistan has been unable to diversify in the export of textiles and is heavily dependent on single fibre, that is cotton and its blends. This dependence on single crop economy is restricting the diversification of exports from Pakistan.

3. Labor productivity

Despite of the abundant supply of the labor, productivity of the labor is very low. According to a study by Federal Adviser on textiles, the regional competitors of Pakistan take 75 minutes to complete and produce one piece of cloth whereas we take 133 minutes for the same work. We also waste 30% in finishing and 12% in washing." European buyers recommended that we should cut our costs up to 45% in sewing by getting more efficient.

Labor productivity can be improved by giving the labor appropriate training with the advancement of technology so as to make them more efficient and with lower wastage of resources. In China an average 70 hours of training are given to labor to enhance their expertise.

4. Poor infrastructure

The important resources and infrastructure, such as adequate of supply of water, continuous supply of electricity and gas, efficient logistics and transportation, tax structure, raw material supply are all basic requirements for the development of an industrial base. However, on the other hand, the industry is faced with rising charges of the energy sector, which increases the cost of production, making it difficult to compete with the other regional rivals.

5. Poor quality standards

With the exception of big and leading units who comply with global quality standards in textiles, most of the medium and small sized units can not ensure the reliable and consistent quality standards. Some of these textile units import second hand machinery from China, India, Korea, and Taiwan with no checks and balances on the quality of the machinery parts and tools. Preference is only given to the cheap and workable machinery with no concern of the quality of the machine, therefore, resulting in poor quality of the end product.

The industry can generate more profit by adding more value to the product, as value can be measured in terms of quality, increased per unit price, etc. Pakistan's textile industry should focus on latest material handling techniques and should train workers. The inability to timely modernize the equipment, machinery and labor has led to the decline of Pakistani textile competitiveness.

6. Unstable political situation

Political unrest, strikes and terrorism have critically affected the economy of Pakistan. Frequent changing of the government has adversely maligned the policies of the textile sector. According to the World Trade Review "Pakistan has failed to take necessary steps needed to meet post Multi-Fiber Agreement (MFA) challenges for its textile industry owing to lack of political will by the successive governments."

In 1978 World Bank surveyed the Pakistan textile industry and reported many deficiencies in this sector. It also gave certain measures to resolve these issues, but unfortunately all these problems still persist and the industry is still unable to keep its pace with the international market. Successive governments lacked the will to reform human resources and adapt the marketing techniques, that resulted present scenario in this industry.

7. System orientation and supply chain

Nowadays, customers are very systematic in their work and the expect the same professionalism from their vendors. Unfortunately, we lack this capability and are not competent to struggle in the international business, thus losing many opportunities.

On the other hand supply chain management is rarely implemented. We are disorganized, disconnected and dis-

torted. Time management is very much important aspect in the business and buyers expect on time delivery to match the retail launch of the Spring/ Summer or Autumn/Winter seasonal collections on time . Delayed delivery of export orders result increase in cost due to fines by the buyers and at times losing business altogether due to the breach the order contract.

Opportunities

1. Pakistan Textile City

Pakistan Textile City in Port Qasim, Karachi with an area of 1250 acres, will be completed in 2011 as a private public sector joint venture. The main purpose of the textile city is to provide the textile industry with the world class infrastructure to meet the global competitiveness and challenges and as to provide value added textile industrial zone. Its main features include one way window operation, constant supplies of gas and water, and uninterrupted power supply.

2. Marketing

Targeting the unexplored export markets with the help of aggressive sales and marketing will pave the way for the textile growth. It's all about hunting your opportunities with the handful of colorful lollipops. If we make investment in our sales force and train them in the fine art of marketing textile products, we can capture an much bigger market share from other smaller competitors.

3. Collaboration with foreign companies

By making partners with the foreign companies, we will be able to learn a lot from them in terms system orientation, supply chain and it would be feasible to import latest technology. We can also reduce our costs, comply with the international standards, add value to our products, easiness in marketing our products in different foreign regions, improved labor and thus catching up with our regional competitors.

4. Re-engineering of production system

Information technology has a crucial role in manufacturing sector. Acquiring state of the art machinery is though very much expensive, but a very fruitful and necessary measure to stay competitive in the long run. It is the level of trust, the exporter builds with its customers by giving them flawless products, made on state of the art machinery. Once this trust is developed, there is no other way than any unforeseen exception, that you may lose a customer to another competitor. Therefore, its highly recommended to produce with great efficiency, minimizing the wastage of the raw material, energy resources and thus reducing the cost of production.

5. Producing high value products

It's better to export yarn than raw cotton. Similarly it's better to export finished fabric than to export grey fabric (raw fabric). Furthermore it's very much feasible to export readymade garments than to only fabrics. What makes the latter better is the value added and subsequent increase in per unit price.

Therefore, the textile industry should focus on the finished products so as to create more value in their products and reap larger margin of profits. The industry should also diversify into other areas such as technical textiles and nonwovens in order decrease its dependence on conventional and commodity textiles, which is highly sensitive to per unit price and volume for the profit margin.

6. Image building of Pakistan to attract FDI

Security measures should be taken to facilitate the buyers and investors to visit Pakistan for investments. Secure business environment must be needed to attract golden sparrows to facilitate business dealings and building positive image of Pakistan that they can rely upon.

7. Reducing the cost of business.

China and India are much cheaper in labor, raw material and utilities as compared with Pakistan. Rising inflation also increase the cost of production. We have to control these unnecessary costs if we have to survive in the middle of the two giants of the textile sector in the world.

Threats

1. New competitors

Pakistan is facing new competitors in textile sector such as Bangladesh, Vietnam and Turkey. Though we cannot avoid competition but we can always stay ahead of them by reforming our strategies and educating our entrepreneurs so as to move one step forward in every aspect.

2. Phasing out of quota system

As the quota system is ruled out by WTO, there is a threat by the Chinese and Indian manufacturers to gain most of the market share. We have high costs, low labor productivity and inefficient production processes.

3. Fashion life cycle

Fashion changes day by day these days. Media has so much penetrated in our daily lives that we easily adapt ourselves as it wants us to. This has resulted in shortening the fashion lifecycle thus increasing the fashion risk.

Now the buyer does not want to wait long for his consignment because he is insecure that by the time it will reach to him he will lost its demand due to change in fashion. Therefore, they prefer to buy from neighboring countries even at higher cost to get their products instantly rather than to wait weeks or months for their consignments to reach them.

Conclusion

Textile industry is the backbone of the Pakistan's economy. We have to seriously analyze its strengths and weakness so as to make the textile industry more competent among its rivals. What we really need here is to work out the plan and to implement it accordingly and although much work has to be done by Government of Pakistan, it also the responsibility of the entrepreneurs to cooperate and foresee the challenges and opportunities ahead. We can always win the race as it is never too late to safeguard and grow this vital and promising sector of our economy.

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